

Message Text

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FOLLOWING REPEAT JAKARTA 11808 ACTION SECSTATE INFO BANGKOK
KUALA LUMPUR MANILA SINGAPORE GENEVA CIEC PARIS MEDAN SURABAYA
COLOMBO NEW DELHI PORT MORESBY SEP 9.

QUOTE:

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E.O. 11652: N/A

TAGS: EFIN, UNCTAD, ID

SUBJECT: UNCTAD COMMODITY CONSULTATIONS

REFS: (A) JAKARTA 11291 (NOTAL), (B) STATE 20813

1. SUMMARY: GOI UNPREPARED TO MAKE SPECIFIC COMMENT ON
USG VIEWS, BUT INFORMAL REMARKS OF KEY OFFICIAL INDICATE
UNLIKELIHOOD IT WILL SHARE THESE VIEWS IN A MAJOR WAY.
GOI ENVISIONS SCENARIO IN WHICH COMMODITY PRODUCERS MEET
WITH CONSUMERS ONLY AFTER THOROUGH PREPARATION AMONG
THEMSELVES. IT CONSIDERS ITSELF A MODERATE AND SEES NEED
FOR GIVE AND TAKE WITH PRODUCERS BUT MAKES NO SECRET OF
ITS INTENTION TO BARGAIN HARD. END SUMMARY.

2. EMBOFFS MET WITH SUHADI, GOI DIRGEN INTERNATIONAL
TRADE, DEPT. OF TRADE, WHO WAS MEMBER OF GOI UNCTAD IV
TEAM, AND KARTADJOEMENA, SPECIAL ASSISTANT TO MINISTER
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OF TRADE, SEPT. 6 TO PRESENT US VIEWS RE CONSULTATIONS

ON 18 COMMODITIES. SUHADI SAID THAT EXCEPT FOR NOTIFICATION FROM UNCTAD OF DATES OF SEVERAL CONSULTATIONS (HE MENTIONED SPECIFICALLY COPPER AND RUBBER), THERE HAD BEEN NO COMMUNICATION FROM SYG ABOUT HOW HE INTENDS TO PROCEED. IN THE ABSENCE OF SUCH INFORMATION, SUHADI SAID THE GOI WAS UNABLE TO MAKE A SPECIFIC COMMENT ON USG VIEWS. HE ADDED THAT WITH CONSULTATION IMMINENT, GOI WILL SOON BE APPRISED OF UNCTAD PLANS AND WILL THEN FORMULATE POSITION. HE ADDED THAT EMBOFF VISIT WOULD FORCE MINISTRY/GO TO "START WORK" ON THIS ISSUE.

3. IN A PERSONAL COMMENT SUHADI AGREED THAT THE "MAJOR ROLE" IN COMMODITY CONSULTATIONS SHOULD BE PLAYED BY PRODUCERS AND CONSUMERS, BUT HE EXPRESSED UNCERTAINTY ABOUT UNCTAD'S ABILITY TO EXCLUDE NON-PRODUCER/CONSUMER MEMBERS WHO DESIRED TO TAKE PART. HE SPECULATED THAT PERHAPS AN ARRANGEMENT WHEREBY FULL AND ASSOCIATE MEMBERSHIPS WERE CONFERRED COULD HELP SKIRT THE ISSUE. SUHADI APPEARED TO BE UNTROUBLED BY PROBABILITY THAT SOME CONSULTATIONS WILL BEGIN PRIOR TO FORMATION OF AD HOC COMMITTEE. HE SEEMED CLEARLY INCLINED TO LET SYG WORRY ABOUT SUCH MATTERS.

4. WHILE REFUSING TO BE DRAWN OUT ON MERITS OF USG VIEW THAT CONSULTATIONS UTILIZE WHEREVER POSSIBLE EXISTING COMMODITY ORGANIZATIONS, SUHADI OFFERED FOLLOWING SCENARIO WHICH IS ILLUSTRATIVE OF GOI THINKING ON COMMODITY ISSUE. GOI BELIEVES ASSOCIATION OF NATURAL RUBBER PRODUCERS (WHICH INCLUDES MAJOR PRODUCERS MALAYSIA, THAILAND AND INDONESIA, AND ALSO SRI LANKA, SINGAPORE, INDIA AND PAPUA NEW GUINEA) WILL PLAY MAJOR ROLE IN CONSULTATIONS ON THAT COMMODITY, BUT IT WILL MEET WITH CONSUMERS ONLY AFTER THOROUGH IN-HOUSE COORDINATION. COOPERATION AMONG PRODUCERS AT FIRST STAGE WILL REVOLVE AROUND TECHNICAL ASPECTS, RESEARCH, MARKET STUDIES. THE NEXT AND MORE DIFFICULT STAGE WILL BE ATTEMPT TO STABILIZE PRICES. SUHADI SAID THE TWO ELEMENTS OF RUBBER PRICE STABILIZATION WOULD BE A BUFFER STOCK AND SUPPLY REGULATORY MACHINERY. TO PREVENT BUFFER STOCK FROM GROWING TOO LARGE OR IN EVENT OF SEVERE PRICE DECLINE, LOWER PRODUCTION MAY BE NECESSARY. CONSUMERS LIMITED OFFICIAL USE

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WOULD BE INVITED TO PARTICIPATE IN THE SCHEME "ON A BASIS ACCEPTABLE TO PRODUCERS" AND COULD NOT "DICTATE" TO PRODUCERS. IF CONSUMERS DON'T AGREE WITH THIS APPROACH, PRODUCERS PREPARED TO ATTEMPT TO STABILIZE RUBBER PRICES ON THEIR OWN. SUHADI MADE CLEAR THAT THE GOI FULLY SUPPORTS THIS SCENARIO AND OFFERED IT AS A MODEL OF INDONESIA'S APPROACH TO COMMODITY CONSULTATION. HE ALSO VOLUNTEERED THAT ASSOCIATION WILL MEET IN JAKARTA AT MINISTERIAL LEVEL

THIS NOVEMBER.

5. IN RESPONSE TO QUESTION, SUHADI SAID THAT PRICE OF RUBBER WOULD BE PRESENTED TO CONSUMERS AS TOPIC FOR NEGOTIATION AND NOT ON TAKE IT OR LEAVE IT BASIS. KARTADJOEMENA CHIPPED IN WITH HIS EXPECTATION THAT BARGAINING WOULD BE TOUGH. NEVERTHELESS BOTH HE AND SUHADI SOUGHT TO DRAW CLEAR DISTINCTION BETWEEN DEVELOPING COUNTRY RADICALS AND RUBBER PRODUCERS, ALL OF WHOM WERE REPRESENTED AS MODERATES.

6. SUHADI AND KARTADJOEMENA USED THE WORD "INTEGRATED" THROUGHOUT THE CONVERSATION. LATTER SAID THAT IN FUTURE, INSTEAD OF DEPT. OF TRADE FORMULATING COMMODITY POLICY BY ITSELF, THE PROCESS WOULD BE INTEGRATED, INVOLVING AGRICULTURE, FOREIGN AFFAIRS, MINING, FINANCE AND BAPPENAS (PLANNING), AMONG OTHERS. COMMENTING THAT MOST COUNTRIES HAD LOOKED AT COMMODITY POLICY IN A FRAGMENTED MANNER, KARTADJOEMENA SAID THAT A RESOURCE POLICY WITH BOTH DOMESTIC AND INTERNATIONAL OUTLOOK WAS NEEDED, THUS THE GOI WOULD INVOLVE ALL INTERESTED PARTIES IN DOMESTIC COMMODITY POLICYMAKING, AND, REFLECTING ITS VIEW THAT "ONE COMMODITY IS PART OF ALL COMMODITIES," WOULD COORDINATE POLICY WITH FELLOW LDC'S TO A FAR GREATER EXTENT THAN PREVIOUSLY. IN ANOTHER EXAMPLE OF WHAT INTEGRATED APPROACH MEANS TO GOI, SUHADI SAID DISCUSSIONS ON PRICE STABILIZATION OF NATURAL RUBBER MEAN LITTLE WITHOUT PARALLEL DISCUSSIONS ON SYNTHETIC RUBBER. HE EXPRESSED HOPE INDUSTRIALIZED COUNTRIES WOULD REFRAIN FROM GIVING FURTHER INCENTIVES, ESPECIALLY EXPORT SUBSIDIES, TO PRODUCTION OF SYNTHETIC RUBBER, AND ADDED THAT INDUSTRIAL COUNTRY RESEARCH ON NATURAL RUBBER WOULD BE AN EXCELLENT AND WELCOME EXAMPLE OF TRANSFER OF TECHNOLOGY.

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7. COMMENT: WHILE WE AGREE WITH GOI'S ASSESSMENT OF ITSELF AS MODERATE THIS DOES NOT LEAD US TO CONCLUDE THAT INDONESIA WILL BE OTHER THAN FORCEFUL IN SEEKING TO MAXIMIZE ITS RETURNS IN COMMODITY NEGOTIATIONS. RECENT CRYSTALLIZATION OF GOI THINKING ON ITS ROLE AND POSITION WITHIN G-77/NAM ALSO PROBABLY PRESSURES HARDER GOI BARGAINING ON BEHALF COMMON LDC POSITIONS. TEMERING THIS IS GOI'S REALISTIC VIEW OF WHAT CAN BE ACHIEVED BY LDC'S AND ITS INCLINATION TO HOLD DOWN THE RHETORIC. USG WILL PROBABLY FIND THAT, AT LEAST IN SOME INSTANCES, GOI WILL AGREE PRIVATELY WITH OUR APPROACH ON COMMODITIES. ACTIVE AND OPEN SUPPORT FOR US POSITIONS IS UNLIKELY, HOWEVER, IF IT INVOLVES BREAKING RANKS WITH OTHER LDC'S UNLESS THERE IS TANGIBLE BENEFIT FOR GOI TO DO SO. NEWSOM UNQUOTE: KISSINGER

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